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Exploring Marketing Strategy Components Adopted by Commercial Banks in Ujjain Region

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Abstract – Marketing strategy is an essential component of success of any organization and the banking industry is no exception to that. The commercial banking in India is majorly dominated by the public and private sector banks. In the past decade the industry has witnessed sharp growth in the product portfolio and coverage. The present study has made an attempt to explore and investigate the key components of marketing strategy adopted by the banks in Ujjain region. The data collection was done through a structured questionnaire and the responses were captured to analyze the attributes of the marketing strategies through the likert scale questions. The results of the study revealed various key elements of the marketing strategy and explored their perception on various demographic characteristics of the customers.

Key Words: Banking, Marketing Strategy, Exploratory Factor Analysis, Marketing Mix

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INTRODUCTION

Banking activities are typically defined as the borrowing and deposit pf money through banking institutions. The monetary flow of the public saving is channelized to the organizations through loans and investment by the banks. The circulation of money is also controlled through the banking institutions among the economy by fluctuating the interest rates. This depiction of banking activities is practiced by the overall banking industry whereas the individual players which are typically the public and private sector banks faces tough competitions among them to strive for customers.

The role of banking players has significantly enlarged in last decades and the customers expectation for the deliverables has also witnessed a paradigm shift. The increase in the customer base is consistently increasing and so the expectations of the customers for quality of services in addition to the monetary benefits. Therefore, the banking industry is focusing on the marketing strategy to sustain the growth of the segment to retain the existing customers and attract the new potential customers. Thus, it is imperative to study the marketing strategies adopted by the banks to optimize the opportunities to increase the sales and achieve a competitive sustainable advantage. The present study has made an attempt to explore the various key components of the marketing strategies adopted by the commercial banks through investigating the responses of the customers of the banks operating in the Ujjain region (Madhya Pradesh, India).

LITERATURE REVIEW:

The concept of marketing strategies in banking industry has developed after the 1950s when the banks focused on expanding their business to sustain the growth. Marketing strategy in banking is a combination of attributes and activities which helps the banks to focus on the product and the consumer more effectively than their competitors. In simple terms it means the coordinated application of marketing techniques pertaining the the organizational objectives pertaining to the specific needs of the customers through the components of marketing mix. It is important to redefine the marketing strategies for the banks to tailor and target the specific needs associated with the optimum consumer satisfaction. To explore and understand such aspects of marketing strategies in reference to banking industry, various studies have been conducted in past and some of them are presented in the following paragraphs.

Clow and Beisel (1995) studied on managing consumer expectations for low margins and high service levels by initiating and maintaining any interaction between a service provider as per the expectations of consumer. In this study he explained three actions which a service provider wants from the consumer of the service which included immediate payment and repeated consumption of the service. Similarly, in the banking industry the banks provide the financial services and pertains to retain the existing customers. Mehta (2010) reported in his study that the Indian banks are not efficient in marketing communication. The study suggested that banks should focus on adopt appropriate marketing promotion strategies to offer better services. The study also reported that the banking services can significantly improve with the introduction of personal sales as a marketing promotion strategy in banks.

Gupta and Mittal (2008) found that a properly designed advertising strategy is of significant importance for promoting the services of the banks. In the study they found that the promotion strategies of private and public banks do not have any significant difference. It was reported that the both category of the banks utilize similar tools of marketing promotion which is mainly focused on media promotion. The results of the study revealed that the banks differ on the parameter of the advertising techniques which are mainly "personal sales" and "direct marketing" which was majorly practiced by the private sector banks.

In another study by Rust, Catherine, and Zeithaman (2004) investigated the returns on marketing through analyzing the customer equity. The study focused on various criteria to assess the returns through calculating return on advertising, loyalty program, etc. The study assessed various efficiency estimates of individual banks using a non-parametric data revenue analysis through employing three approaches. The approaches included the value creation approach, mediation approach and operational approach for describing the input and output parameters for the banks.

Earlier, Uchupalanan (2000) had investigate the impact of competition and IT innovation in the banking services. The paper explored the dynamic relationships between competitive strategies and information-based products and process innovations in financial services. The study was conducted with the detailed case studies of five computer innovations which significantly changed the banking industry. These five innovations were; ATM service, Inter-sectoral online service, Electronic point of sales, Credit card services. Later some of the researchers also focused on the drivers of the development in the banking industry. A study by Kole and Hillebrand (2003) presented the factors of "What drives product development to the market?" The study explored a conceptual framework and exhibited a detailing the elements of market-oriented product development along with the association among these elements.

Dixit (2004) conclude that in order to be successful in marketing and increasing efficiency, customer needs must be identified by designing new products for their customers. Staff must have sufficient knowledge to meet the needs of the client. The organizations should pursue long-term strategies to transform the whole organization into a customer-centric organization. Avlonitis and Indounas (2005) studied on price targets and pricing in the service sector. The findings shown that the objectives of the firms are essentially of a qualitative rather than a quantitative nature, specifically in reference to company's customers. The valuation methods applied by most organizations are based on the traditional cost-plus method and price information of average market prices.

Spreng, Harrell and Meckoy (1995) focused on service recovery and impact on satisfaction and intentions. The study was conducted through observations captured from various service sectors. The results of the study explored the aspects of the satisfaction and service management among the consumer and service provider. Walker (1995) studied the satisfaction of the consumers for the availed services. The study was conducted to explore a framework which can provide an improved understanding of the service satisfaction process. The study focused on recognizing and separating the peripheral and central dimensions of services, by clearly considering the process of evaluation, notion of active and passive expectations and together with a realistic decision-making process for the evaluation of services.

METHODOLOGY:

The present study is exploratory in nature and is aimed at exploring various factors or dimensions of marketing strategy adopted by the banks operating in Ujjain region. Primary data was collected for the study through structured questionnaire and a total of 300 completely filled questionnaires were finally considered for the analysis. Individuals with a bank account were considered as a sample unit and the respondents were randomly invited for participation in the survey. The first part of the questionnaire contained the questions related to demographic attributes of the respondents and the second part was comprised of the questions related to the marketing strategy of the banks. The responses were captured through 5 point likert scale ranging from strongly agree to strongly disagree. The responses were analyzed through frequency tables and exploratory factor analysis. The detailed findings of the analysis are mentioned in the subsequent sections.

Findings: The 'Table 1' presents the demographic profile of the respondents of the study. It was observed that the majority of the respondents were male whereas among them majority of them were middle aged. The sample exhibited adequate representation of all the different occupation and monthly income. The detailed frequency distribution is shown in the following table:

Table 1: Respondent's Demographic Profile

Sample (N= 300)		Count
Gender		
	Male	216
	Female	84
Age (in Years)		
	Above 55	16
	Between 40-55	32
	Between 25-40	160
	Below 25 Years	92
Marital Status		
	Married	212
	Unmarried	88
Education		
	Professional Degree/Above	24
	Post Graduate (General)	108
	Graduate	95
	Up to Class 12^{th}	73
Occupation		
	Student/Unemployed	87
	Govt. Employee	64
	Private Employee	92
	Business/Self Employed	57
Monthly Income		
(in INR)	Up to 10000	122
	Between 10,000-25000	51
	Between 20,000-40000	60
	Above 40000	67

To explore the dimensions of the marketing strategies, the responses were analyzed through exploratory factor analysis. As a prerequisite to the factor analysis the sampling competence was tested through the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy which was found to be 0.610 which shows that the sample is appropriate for the conduct of exploratory factor analysis. Further, the result of Bartlett's Test of Sphericity was found significant validated the employment of the factor analysis. The results of KMO and Bartlett's test are shown in the Table 02 as follows:

Table 2: Results of KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.610
Bartlett's Test of Sphericity	Approx. Chi-Square	1520.498
	df	136
	Sig.	.000

Further, exploratory factor analysis (EFA) was performed on 24 questions derived 7 factors explained about 71.74% of the variance in the data which means the majority of the variance is explained by these explored factors. The factor loading cutoff was considered as 0.5 as minimum loeading for any item and the number of factors were decided as per the universally accepted criteria of eigen-value cutoff of 1. The detailed findings are shown in the Table 03 as follows:

Table 3: Results of Factor Analysis

Questions related to the following points	Item Loading for the Explored Factors						
	1	2	3	4	5	6	7
Timely Service by Staff	0.914						
Experienced Staff	0.911						
Polite Staff		0.909					
Bank Understands Need of Customer		0.878					
Error Free Services			0.842				
Consistent Service			0.813				
Accessible Manager			0.575				
Clean and Organized Premise				0.75			
Drinking Water Facility				0.696			
Quick Services Response				0.678			
Availability of Forms and Documents					0.767		
Grievances Management					0.73		
KIOSK Services					0.63		
Waiting Area						0.82	
Parking Facility						0.762	
Response to Queries							0.76
Individual Attention							0.572

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.
Rotation converged in 6 iterations.

After the exploration the factors, the questions were further analyzed with the mean average responses which explains the perception of the respondents regarding the specific question asked. It was found that the lowest mean response was for the individual attention which was reported as 2.223 indicating that majority of the customers feel that the bank do not offer any individual attention to the customer and there is no specific individual marketing strategy for the customers. Further it was also observed that the factor 1 which contained questions related to timely service and experienced staff was one of the key concerns for the customers as it explained the maximum variance of 18.893 percent of the overall 71.741 percentage variance explained by all the factors. It was also exhibited that the majority of the bank customers responded that their bank understands their needs as indicated by the average mean response of 3.653. The detailed results of the average mean response and variance explained are also shown in the Table 4 as follows:

Table 4: Average Mean Response and Variance Explained by Explored Factors

Questions related to the following points	Variance Explained (%)	Mean Response	Standard Deviation
Timely Service by Staff	18.893	3.193	1.003
Experienced Staff		3.500	1.175
Polite Staff	12.858	2.867	0.746
Bank Understands Need of Customer		3.653	1.044
Error Free Services	10.343	3.097	1.194
Consistent Service		3.350	1.248
Accessible Manager		2.380	1.032
Clean and Organized Premise	8.468	2.837	0.966
Drinking Water Facility		2.757	0.803
Quick Services Response		2.873	1.387
Availability of Forms and Documents	7.945	2.370	0.977
Grievances Management		2.473	1.089
KIOSK Services		2.460	0.878
Waiting Area	6.711	2.797	0.947
Parking Facility		2.567	1.411
Response to Queries	6.523	2.383	0.905
Individual Attention		2.223	0.943

CONCLUSION:

Banking services are an essential economy and the customers of the bank. But due dynamic economic conditions, technological developments, and reforms in the financial sector commercial banks are facing an era of transition. The increasing competition in the industry has forced the banks to utilize on all the essential tools of marketing to sustain the economic growth. Therefore the banks are required to focus on the the effective utilization of the marketing tools to attract new customers and retain the existing ones. The results of the study shown that the key dimensions of the marketing strategy for the banks include the infrastructural related facilities, experienced and polite staff and marketing strategy targeted to the individual customers. The findings also report the initial perception through the responses to identify the present status of the consumer perception. The insights from the study through exploration of underlying factors which can be leveraged by the banks to provide better service to the customers and develop a competitive advantage in the industry.

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